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Message Text

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64
ACTION ARA-20

INFO OCT-01 ISO-00 L-03 OPIC-12 FEA-02 NEA-14 DRC-01 SSO-00

NSCE-00 INRE-00 /053 W
---------- 003879
O R 041950Z OCT 74
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 2734 IMMEDIATE
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 6584

E.O. 11652: GDS
TAGS: ENRG, EINV, PGOV, EC
SUBJ: ADA CASE DEVELOPMENTS

REF: A. QUIT 6496; B. STATE 217884; C. QUITO 6373

1. DCM AND EMBOFF CALLED ON CEPE MANAGER VARGAS OCTOBER 3 AND ASKED ABOUT ADA CASE AND BIDDING. VARGAS AGAIN EXPRESSED HIS DISAPPOINTMENT AND FAILURE TO UNDERSTAND WHY ADA DID NOT ENTER BIDDING. HE AFFIRMED THAT IT IS THE GOE POLICY TO RECOGNIZE ADA'S INVESTMENT UP TO A CERTAIN AMOUNT AND HE AGREED THAT THE PROCESS SHOULD IDEALLY BE COMPLETED BEFORE A CONTRACT IS LET TO ANOTHER FIRM. HE SAID THAT HE HOPES IT WILL BE POSSIBLE FOR THE GOE, ADA AND THE WINNING BIDDER TO SIT DOWN AND DECIDE AMONG THEMSELVES THE AMOUNT AND MANNER OF PAYMENT.

2. ASKED WHETHER THE QUALIFIED BIDDERS WERE SHOWING A HIGH DEGREE OF INTEREST IN BIDDING, VARGAS SAID HE THOUGHT CEPE WOULD GET SOME BIDS ALTHOUGH HE COULD NOT BE SURE. HE REPEATED HIS PUBLIC ASSERTION REPORTED REFTEL A THAT IF NO COMPANY BIDS CEPE IS PREPARED TO DO THE EXPLORATION ITSELF WITH THE HELP OF SAUDI ARABIA AND IRAN WHO HAVE OFFERED ALL FINANCIAL AND TECHNICAL ASSISTANCE. HE ADDED THAT HE WOULD OF COURSE PREFER TO MAKE AN ASSOCIATION CONTRACT WITH ONE OF THE QUALIFIED BIDDERS.

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3. VARGAS VOLUNTEERED THAT HE KNOWS THAT ADA'S PARTNERS

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ARE NOT UNITED IN AGREEMENT WITH ADA'S HANDLING OF THE
WHOLE MATTER. HE SAID OKC HAS TOLD HIM THAT IT AGREES
WITH THE GOE AND NOT WITH ADA. (COMMENT: IT DOES NOT
HELP ADA'S SITUATION FOR THE GOE TO HAVE THIS IMPRESSION
OF OKC'S POSITION). HE ALSO SAID THAT REPRESENTATIVE OF FORMER
CONSORTIUM MEMBER PHILLIPS HAD TOLD HIM THAT THE COMPANY WALKED
AWAY FROM ITS INVESTMENT IN THE ADA CONSORTIUM WITHOUT RECEIVING
ANY CONSIDERATION, JUST SO IT WOULD NOT HAVE TO DEAL WITH ADA
EVER AGAIN. (COMMENT: THIS IS UNDOUBTEDLY PART OF THE REASON
WHY THE HIGH LEVEL COMMISSION IS ASKING, AND NOT
GETTING, DETAILS FROM ADA ON THE AMOUNTS ACTUALLY INVESTED BY
INDIVIDUAL MEMBERS OF THE CONSORTIUM.) DCM REITERATED TO VARGAS
THAT USG INTEREST IN THE CASE HAS ALWAYS BEEN AND REMAINS THAT
OF SEEING THE GOE AND ADA COME TO AN AGREED RESOLUTION OF THE
PROBLEM. VARGAS UNDERSTOOD.

4. EMBOFF MET WITH ADA MANAGER BASTIDAS IN GUAYAQUIL
OCTOBER 2 AND LEARNED OF DEVELOPMENTS IN THE WORK
OF THE HIGH LEVEL COMMISSION: A) MINISTER JARRIN DID
SIGN LETTERS ESTABLISHING LEGAL AND AUDIT SUBCOMMISSIONS
SHORTLY AFTER RETURN FROM VIENNA. B) PENDING RECEIPT
OF EQUITY FUNDING LETTER PROMISED SOON (REFTEL B), ADA
HAS NOT ASKED FOR A MEETING OF LEGAL SUBCOMMISSION.
C) LION BRINSMADE WILL BE SENT FROM HOUSTON TO JOIN LEGAL
SUBCOMMSISSION. (COMMENT: THIS IS A MOST WELCOME
DEVELOPMENT. WE BELIEVE BRINSMADE HAS THE EXPERIENCE
AND BREADTH TO CONDUCT NEGOTIATIONS. JIMENEZ, WHILE
CONSCIENTIOUS, UNDOUBTEDLY BELIEVES THAT HE IS BEING PAID
TO DISPUTE ECUADOREAN AND INTERNATIONAL LAW WITH THE
ATTORNEY GENERAL. FOLLOWING THAT APPROACH, THE SUBCOMMISSION
MIGHT NEVER ADVANCE TO SERIOUS NEGOTIATIONS). D) MINISTRY
OF NATURAL RESOURCES AND PLANNING BOARD HAVE NAMED MEMBERS
TO AUDIT COMMISSION. FINANCE MINISTRY HAS YET TO APPOINT.
ADA WILL BE REPRESENTED BY ITS LOCAL COMPANY AUDITOR AND
AN AS YET UNDESIGNATED REPRESENTATIVE FROM ARTHUR
ANDERSEN AUDITORS. BASTIDAS SAID HE IS READY
FOR AUDITING SUBCOMMISSION TO MEET AS SOON AS ITS FULLY
CONSTITUTED. EMBOFF URGED HIM TO SEND SHORT, COURTEOUS
LETTER TO MINISTER REQUESTING IMMEDIATE MEETING
OF SUBCOMMISSION AND DAILY MEETINGS THEREAFTER. BASTIDAS
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THOUGHT THIS WAS A GOOD IDEA. E). BASTIDAS PLANS TO ASK
THAT AUDIT SUBCOMMISSION MEET IN GUAYAQUIL WHERE COMPANY
RECORDS ARE AVAIABLE. LEGAL SUBMISSION WILL IN ANY
EVENT MEET IN QUITO.

5. ACTION REQUESTED. IT IS IMPORTANT IN THE LIMITED
REMAINING TIME TO GET INTENSIVE NEGOTIATIONS GOING AS
SOON AS POSSIBLE. REQUEST THAT DEPARTMENT A) REINFORCE

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WITH LASSITER THE SUGGESTION THAT ADA MANAGER ASK IN
WRITING FOR IMMEDIATE MEETING OF AUDIT SUBCOMMISSION,
B) CONFIRM THAT BRINSMADE WILL HANDCARRY EQUITY FUNDING
LETTER TO QUITO AND MEET PROMPTLY WITH LEGAL SUBCOMMISSION.
BREWSTER

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